

**SULLIVAN COUNTY, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - All Budgeted Funds	17
<b>Notes to Financial Statements</b>	18
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Funding Progress	34

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Sullivan County, New Hampshire

Additional Offices:  
Andover, MA  
Greenfield, MA  
Manchester, NH  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Sullivan County, New Hampshire, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sullivan County, New Hampshire's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sullivan County, New Hampshire, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Melanson Heath*

November 6, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Sullivan County, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of Sullivan County for the fiscal year ended June 30, 2014.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The governmental activities include general government, public safety, corrections, human services, cooperative extension, and nursing home.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The accounts of the County are reported as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$17,129,147 (i.e., net position), a change of \$1,364,327 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,020,571, a change of \$2,950,449 in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$9,112,220, a change of \$1,010,414 in comparison to the prior year.
- Total bonds payable, including bond premium, at the close of the current fiscal year was \$6,930,600, a change of \$2,107,400 in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

## NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 11,285,203	\$ 9,968,208
Noncurrent assets	<u>15,882,299</u>	<u>15,137,103</u>
Total assets	27,167,502	25,105,311
Current liabilities	2,445,519	3,892,828
Noncurrent liabilities	<u>7,592,836</u>	<u>5,447,663</u>
Total liabilities	10,038,355	9,340,491
Net position:		
Net investment in capital assets	9,507,072	7,913,488
Restricted	963,989	332,123
Unrestricted	<u>6,658,086</u>	<u>7,519,209</u>
Total net position	<u>\$ 17,129,147</u>	<u>\$ 15,764,820</u>

## CHANGE IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 14,420,496	\$ 13,442,439
Operating grants and contributions	674,097	778,963
Capital grants and contributions - Biomass	22,500	550,000
General revenues:		
County taxes	13,885,603	13,892,074
Investment income	4,725	6,826
Miscellaneous	<u>286,486</u>	<u>367,381</u>
Total revenues	29,293,907	29,037,683

(continued)

(continued)

### CHANGE IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Expenses:		
General government	2,205,531	2,010,999
Public safety	933,399	940,813
Corrections	4,459,514	4,560,718
Human services	5,621,701	5,409,030
Cooperative extension	344,088	252,437
Nursing home	14,149,543	13,613,101
Interest expense	<u>215,804</u>	<u>176,348</u>
Total expenses	<u>27,929,580</u>	<u>26,963,446</u>
Change in net position	1,364,327	2,074,237
Net position - beginning of year	<u>15,764,820</u>	<u>13,690,583</u>
Net position - end of year	<u>\$ 17,129,147</u>	<u>\$ 15,764,820</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$17,129,147, a change of \$1,364,327 from the prior year.

The largest portion of net position \$9,507,072 reflects our investment in capital assets (e.g., land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$963,989 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6,658,086 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,364,327. Key elements of this change are as follows:

Operating Results:

General fund	\$ 1,010,414
Register of deeds fund	13,051
Grants fund	(51,963)
Capital projects fund	<u>1,978,947</u>
Subtotal operating results	2,950,449
Purchase of capital assets	1,655,346
Principal debt service in excess of depreciation expense	(140,709)
Proceeds of bonds	(2,800,000)
Change in accrued interest liability	(50,039)
Change in compensated absence liability	27,915
Change in net OPEB obligation	<u>(278,635)</u>
Total	<u>\$ 1,364,327</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,020,571, a change of \$2,950,449 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 1,010,414
Register of deeds fund revenues and transfers in excess of expenditures	13,051
Grants fund expenditures in excess of revenues	(51,963)
Capital projects fund revenues and transfers in excess of expenditures	<u>1,978,947</u>
Total	<u>\$ 2,950,449</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,888,761, while total fund balance was \$9,112,220. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 6,888,761	\$ 5,654,484	\$ 1,234,277	22.2%
Total fund balance	\$ 9,112,220	\$ 8,101,806	\$ 1,010,414	29.4%

The total fund balance of all funds changed by \$2,950,449 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,121,685
Expenditures less than appropriations	1,935,757
Use of fund balance - reduce taxes	(1,108,993)
Use of fund balance - purchase of land	(298,000)
Proceeds of bonds in excess of budget	<u>1,300,000</u>
Total all funds	<u>\$ 2,950,449</u>

#### **E. BUDGETARY HIGHLIGHTS**

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$18,493. This change relates to a use of voted reserves (fund balance).

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$15,882,299 (net of accumulated depreciation), an increase of \$745,196 from the prior year. This investment in capital assets includes land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress.

Major capital asset events during the current fiscal year included biomass construction costs of approximately \$1,078,000.

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$6,930,600, all of which relates to the corrections facility upgrade and the biomass project, was backed by the full faith and credit of the County.

Additional information on long-term debt can be found in the Notes to Financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Sullivan County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sullivan County, New Hampshire  
14 Main Street  
Newport, New Hampshire 03773

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 8,783,654
Restricted cash	323,347
Accounts receivable, net of allowances	1,917,336
Prepaid expenses	215,263
Inventory	<u>45,603</u>
Total current assets	11,285,203
Noncurrent:	
Capital Assets:	
Land	403,430
Construction in progress	3,300
Capital assets, net of accumulated depreciation	<u>15,475,569</u>
Total noncurrent assets	<u>15,882,299</u>
<b>TOTAL ASSETS</b>	<b>27,167,502</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	623,593
Accrued liabilities	565,122
Other liabilities	5,148
Restricted cash liability	197,883
Current portion of noncurrent liabilities:	
Notes payable	60,959
Bonds payable	848,748
Compensated absences	<u>144,066</u>
Total current liabilities	2,445,519
Noncurrent:	
Notes payable	60,957
Bonds payable	6,081,852
Compensated absences	223,121
Net OPEB obligation	<u>1,226,906</u>
Total noncurrent liabilities	<u>7,592,836</u>
<b>TOTAL LIABILITIES</b>	<b>10,038,355</b>
<b>NET POSITION</b>	
Net investment in capital assets	9,507,072
Restricted	963,989
Unrestricted	<u>6,658,086</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>17,129,147</u></b>

The accompanying notes are an integral part of these financial statements.



SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 7,954,306	\$ 4,641	\$ -	\$ 824,707	\$ 8,783,654
Restricted cash	158,879	164,468	-	-	323,347
Accounts receivable, net of allowances	1,707,307	-	187,529	22,500	1,917,336
Prepaid expenses	215,263	-	-	-	215,263
Due from other funds	67,738	-	-	-	67,738
Inventory	45,603	-	-	-	45,603
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 10,149,096</b>	<b>\$ 169,109</b>	<b>\$ 187,529</b>	<b>\$ 847,207</b>	<b>\$ 11,352,941</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 447,731	\$ -	\$ 5,944	\$ 169,918	\$ 623,593
Accrued liabilities	430,266	4,741	3,001	-	438,008
Due to other funds	-	-	67,738	-	67,738
Other liabilities	-	-	5,148	-	5,148
Restricted cash liability	158,879	39,004	-	-	197,883
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>1,036,876</b>	<b>43,745</b>	<b>81,831</b>	<b>169,918</b>	<b>1,332,370</b>
Fund Balances:					
Nonspendable	260,866	-	-	-	260,866
Restricted	10,758	125,364	150,578	677,289	963,989
Committed	480,648	-	-	-	480,648
Assigned	1,471,187	-	-	-	1,471,187
Unassigned	6,888,761	-	(44,880)	-	6,843,881
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b>9,112,220</b>	<b>125,364</b>	<b>105,698</b>	<b>677,289</b>	<b>10,020,571</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,149,096</b>	<b>\$ 169,109</b>	<b>\$ 187,529</b>	<b>\$ 847,207</b>	<b>\$ 11,352,941</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2014

<b>Total governmental fund balances</b>	\$ 10,020,571
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,882,299
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(127,114)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(121,916)
Bonds payable	(6,930,600)
Compensated absences	(367,187)
Net OPEB obligation	<u>(1,226,906)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>17,129,147</u></b>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>					
County taxes	\$ 13,885,603	\$ -	\$ -	\$ -	\$ 13,885,603
Nursing home	13,749,100	-	-	-	13,749,100
Charges for services	270,727	316,053	84,616	-	671,396
Intergovernmental	99,660	-	574,437	22,500	696,597
Investment income	4,725	-	-	-	4,725
Miscellaneous	253,886	-	-	-	253,886
Total Revenues	<u>28,263,701</u>	<u>316,053</u>	<u>659,053</u>	<u>22,500</u>	<u>29,261,307</u>
<b>Expenditures:</b>					
Current:					
General government	1,744,731	333,623	-	-	2,078,354
Public safety	721,597	-	167,089	-	888,686
Corrections	3,878,564	-	223,205	-	4,101,769
Human services	5,299,419	-	320,722	-	5,620,141
Cooperative extension	328,017	-	-	-	328,017
Nursing home	13,570,905	-	-	-	13,570,905
Capital outlay	605,383	-	-	1,091,838	1,697,221
Debt service	824,050	-	-	1,715	825,765
Total Expenditures	<u>26,972,666</u>	<u>333,623</u>	<u>711,016</u>	<u>1,093,553</u>	<u>29,110,858</u>
Excess (deficiency) of revenues over expenditures	1,291,035	(17,570)	(51,963)	(1,071,053)	150,449
<b>Other Financing Sources (Uses):</b>					
Proceeds of bonds	-	-	-	2,800,000	2,800,000
Transfers:					
Register of Deeds	(30,621)	30,621	-	-	-
Capital Projects - Biomass project	(250,000)	-	-	250,000	-
Total Other Financing Sources (Uses)	<u>(280,621)</u>	<u>30,621</u>	<u>-</u>	<u>3,050,000</u>	<u>2,800,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,010,414	13,051	(51,963)	1,978,947	2,950,449
Fund Equity, at Beginning of Year	<u>8,101,806</u>	<u>112,313</u>	<u>157,661</u>	<u>(1,301,658)</u>	<u>7,070,122</u>
Fund Equity, at End of Year	<u>\$ 9,112,220</u>	<u>\$ 125,364</u>	<u>\$ 105,698</u>	<u>\$ 677,289</u>	<u>\$ 10,020,571</u>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ 2,950,449</b>
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: </li> </ul>	
Capital asset purchases, net	1,655,346
Depreciation	(910,150)
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: </li> </ul>	
Proceeds of bonds	(2,800,000)
Repayments of bonds payable	660,000
Repayments of notes payable	76,841
Amortization of bond premium	32,600
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. </li> </ul>	
	(50,039)
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences and net OPEB obligation, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. </li> </ul>	
Compensated absences	27,915
Net OPEB obligation	<u>(278,635)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 1,364,327</u></b>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budgets	Final Budget		
<b>Revenues and Other Sources:</b>					
<b>General Fund:</b>					
County taxes	\$ 13,885,603	\$ -	\$ 13,885,603	\$ 13,885,603	\$ -
Nursing home	12,899,388	-	12,899,388	13,749,100	849,712
Charges for services	271,405	-	271,405	270,727	(678)
Intergovernmental	68,500	-	68,500	99,660	31,160
Investment income	12,500	-	12,500	4,725	(7,775)
Miscellaneous	228,709	-	228,709	253,886	25,177
<b>Other Funds:</b>					
Register of Deeds	340,000	-	340,000	316,053	(23,947)
Grants	433,517	-	433,517	659,053	225,536
Capital projects - Biomass project	-	-	-	22,500	22,500
<b>Other Financing Sources:</b>					
Use of fund balance - reduce taxes	1,090,500	18,493	1,108,993	1,108,993	-
Use of fund balance - purchase of land	298,000	-	298,000	298,000	-
Proceeds of bonds - Biomass project	1,500,000	-	1,500,000	1,500,000	-
Total Revenues and Other Sources	31,028,122	18,493	31,046,615	32,168,300	1,121,685
<b>Expenditures and Other Uses:</b>					
<b>General Fund:</b>					
General government	2,229,682	-	2,229,682	1,744,731	484,951
Public safety	743,686	-	743,686	721,597	22,089
Corrections	4,134,830	-	4,134,830	3,878,564	256,266
Human services	5,183,135	-	5,183,135	5,299,419	(116,284)
Cooperative extension	317,389	-	317,389	328,017	(10,628)
Nursing home	14,179,158	-	14,179,158	13,570,905	608,253
Capital outlay	938,500	18,493	956,993	605,383	351,610
Debt service	1,002,970	-	1,002,970	824,050	178,920
<b>Other Funds:</b>					
Register of Deeds	365,962	-	365,962	333,623	32,339
Grants	432,810	-	432,810	711,016	(278,206)
Capital projects - Biomass project	1,500,000	-	1,500,000	1,093,553	406,447
Total Expenditures and Other Uses	31,028,122	18,493	31,046,615	29,110,858	1,935,757
Excess of revenues and other financing sources (uses) over expenditures	\$ -	\$ -	\$ -	\$ 3,057,442	\$ 3,057,442

The accompanying notes are an integral part of these financial statements.

# SULLIVAN COUNTY, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of Sullivan County, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Generally, all other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Register of Deeds Fund* is used to account for the proceeds of specific revenue sources and related expenditures that are associated with registry activities.
- The *Grants Fund* accounts for grant activity of the County.
- The *Capital Projects Fund* accounts for the activity of the biomass project.

*D. Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

*E. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

*F. Inventory*

Inventory is valued at cost using the first-in/first-out (FIFO) method.

*G. Capital Assets*

Capital assets, which include land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Equipment and furnishings	5
Vehicles	5

*H. Compensated Absences*

It is the County’s policy to permit employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

*J. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The County’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## 2. Stewardship, Compliance and Accountability

### A. Budgetary Information

The County follows the following procedures establishing the budgetary data reflected in the basic financial statements:

- Prior to May 1<sup>st</sup>, the County departments submit to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

- Hearings are conducted by the County Commissioners prior to the County’s budget meeting to discuss the proposed budget.
- The budget is legally enacted by the County Delegation prior to September 1<sup>st</sup>.
- Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued appropriations to the new fiscal year in which they supplement the appropriations of that year.
- The budgets for all departments and operations of the County are prepared under the direction of the County Commissioners. Original appropriations are acted upon by the County Delegation vote.
- A copy of the budget is published in the Annual Report of Sullivan County, New Hampshire.

***B. Budgetary Basis***

The final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

***C. Budget/GAAP Reconciliation***

Budgetary data is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>All Budgeted Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,261,307	\$ 29,110,858
Proceeds of bonds	<u>2,800,000</u>	<u>-</u>
Subtotal (GAAP Basis)	32,061,307	29,110,858
To record use of fund balance - reduce taxes	1,108,993	-
To record use of fund balance - purchase of land	298,000	-
To reverse non-budgeted bond proceeds	<u>(1,300,000)</u>	<u>-</u>
Budgetary Basis	<u>\$ 32,168,300</u>	<u>\$ 29,110,858</u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2014:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
602	ARRA: ARLECCD CCC	\$ (9,425)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
646	Highway Safety	(1,014)
856	NHCF RN Flexible	(42)
863	2nd Chance JMI	(3,007)
907	Fed Forfeiture	(1)
937	CDBG Earle Bourden Centre	(254)
939	GSCAHR Phase III Part I	(20)
944	SC Intervention Program 2	(3,329)
948	Parents As Teachers	(3,283)
955	Public Health Network Coordinator	(1,877)
959	ASPR	(8)
961	PHN PHER Phase III	(15)
965	SCARDP + CSA + MHD	(17,213)
979	SCFBSATI	<u>(3,270)</u>
	Total	\$ <u>(44,880)</u>

The deficits in these funds will be eliminated through future revenues and transfers from other funds.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 29:1 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus." The County does not have a deposit policy for custodial credit risk.

As of June 30, 2014, \$6,481,177 of the County's bank balance of \$10,349,810 was exposed to custodial credit risk as uninsured or uncollateralized.

**4. Allowance for Doubtful Accounts and Contractual Allowances**

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$272,000 at June 30, 2014. Nursing Home receivables are also reported net of contractual allowances.

## 5. Interfund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 67,738	\$ -
Special Revenue Funds:		
Grants Fund	<u>-</u>	<u>67,738</u>
Total	<u>\$ 67,738</u>	<u>\$ 67,738</u>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,354	\$ 3,805	\$ -	\$ 26,159
Equipment and furnishings	3,777	92	-	3,869
Vehicles	526	-	-	526
Total capital assets, being depreciated	<u>26,657</u>	<u>3,897</u>	<u>-</u>	<u>30,554</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,399)	(737)	-	(11,136)
Equipment and furnishings	(3,475)	(104)	-	(3,579)
Vehicles	(294)	(69)	-	(363)
Total accumulated depreciation	<u>(14,168)</u>	<u>(910)</u>	<u>-</u>	<u>(15,078)</u>
Total capital assets, being depreciated, net	12,489	2,987	-	15,476
Capital assets, not being depreciated:				
Land	105	298	-	403
Construction in progress	2,543	3	(2,543)	3
Total capital assets, not being depreciated	<u>2,648</u>	<u>301</u>	<u>(2,543)</u>	<u>406</u>
Governmental activities capital assets, net	<u>\$ 15,137</u>	<u>\$ 3,288</u>	<u>\$ (2,543)</u>	<u>\$ 15,882</u>

Depreciation expense was charged to functions of the County as follows (in thousands):

Governmental Activities:	
General government	\$ 118
Public safety	30
Human services	1
Corrections	324
Cooperative extension	1
Nursing home	<u>436</u>
Total depreciation expense - governmental activities	<u>\$ 910</u>

**7. Accounts Payable**

Accounts payable represents 2014 expenditures paid after June 30, 2014.

**8. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2014:

	Balance Beginning of Year	<u>Advances</u>	<u>Repayments</u>	Balance End of Year
Bond anticipation	\$ <u>900,000</u>	\$ <u>-</u>	\$ <u>(900,000)</u>	\$ <u>-</u>
Total	\$ <u>900,000</u>	\$ <u>-</u>	\$ <u>(900,000)</u>	\$ <u>-</u>

These funds served as temporary financing for the County's biomass project which was bonded during fiscal year 2014.

**9. Long-Term Debt**

*A. General Obligation Bonds*

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Corrections facility upgrades	01/15/20	2.62%	\$ 3,935,000
Biomass project	08/22/28	2.50%	<u>2,800,000</u>
Total Governmental Activities			<u>\$ 6,735,000</u>

**B. Notes Payable**

The County has entered into agreements to provide funds for the acquisition of vehicles. At June 30, 2014 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Vehicles	2016	0.950%	\$ <u>121,916</u>
Total Governmental Activities			<u>\$ 121,916</u>

**C. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding and notes payable as of June 30, 2014 are as follows:

<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 816,148	\$ 214,250	\$ 1,030,398
2016	815,051	190,546	1,005,597
2017	818,991	166,956	985,947
2018	823,210	136,538	959,748
2019	827,358	106,190	933,548
2020 - 2024	1,583,611	228,327	1,811,938
2025 - 2029	<u>1,050,631</u>	<u>80,105</u>	<u>1,130,736</u>
Total	<u>\$ 6,735,000</u>	<u>\$ 1,122,912</u>	<u>\$ 7,857,912</u>

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,959	\$ 1,158	\$ 62,117
2016	<u>60,957</u>	<u>579</u>	<u>61,536</u>
Total	<u>\$ 121,916</u>	<u>\$ 1,737</u>	<u>\$ 123,653</u>

The general fund has been designated as the source that will repay the long-term debt outstanding as of June 30, 2014.

**D. Changes in General Long-Term Liabilities**

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 4,595	\$ 2,800	\$ (660)	\$ 6,735	\$ (816)	\$ 5,919
Bond premium	228	-	(32)	196	(33)	163
Subtotal	4,823	2,800	(692)	6,931	(849)	6,082
Other:						
Notes payable	199	-	(77)	122	(61)	61
Compensated absences	395	-	(28)	367	(144)	223
Net OPEB obligation	948	415	(136)	1,227	-	1,227
Totals	\$ 6,365	\$ 3,215	\$ (933)	\$ 8,647	\$ (1,054)	\$ 7,593

**10. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

**11. Fund Balances**

The following is a summary of fund balances at June 30, 2014:

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:					
Prepaid expenses	\$ 215,263	\$ -	\$ -	\$ -	\$ 215,263
Inventory	45,603	-	-	-	45,603
Total Nonspendable	260,866	-	-	-	260,866
Restricted:					
Nursing home trust fund	10,758	-	-	-	10,758
Deeds surcharge account	-	125,364	-	-	125,364
Unexpended grant funds	-	-	150,578	-	150,578
Unexpended capital project funds	-	-	-	677,289	677,289
Total Restricted	10,758	125,364	150,578	677,289	963,989

(continued)

(continued)

	<u>General Fund</u>	<u>Register of Deeds Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Committed:					
Capital reserve fund	<u>480,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,648</u>
Total Committed	480,648	-	-	-	480,648
Assigned:					
Use of fund balance in subsequent year budget	809,100	-	-	-	809,100
Encumbrances	15,387	-	-	-	15,387
Designated for future projects	<u>646,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>646,700</u>
Total Assigned	1,471,187	-	-	-	1,471,187
Unassigned:					
Grant funds in deficit	-	-	(44,880)	-	(44,880)
Remaining fund balance	<u>6,888,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,888,761</u>
Total Unassigned	<u>6,888,761</u>	<u>-</u>	<u>(44,880)</u>	<u>-</u>	<u>6,843,881</u>
Total Fund Balances	<u>\$ 9,112,220</u>	<u>\$ 125,364</u>	<u>\$ 105,698</u>	<u>\$ 677,289</u>	<u>\$ 10,020,571</u>

## **12. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

## **13. Post-Employment Healthcare Insurance Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The County provides post-employment healthcare benefits for certain retirees.

B. Benefits Provided

The County provides medical benefits to its eligible retirees.

C. Funding Policy

Eligible retirees and their spouses contribute 100% of premium rates for the medical plan selected.

D. Annual OPEB Costs and Net OPEB Obligation

The County's fiscal year 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 431,514
Interest on net OPEB obligation	37,931
Adjustment to ARC	<u>(54,845)</u>
Annual OPEB cost	414,600
Contributions made	<u>135,965</u>
Increase in net OPEB obligation	278,635
Net OPEB obligation - beginning of year	<u>948,271</u>
Net OPEB obligation - end of year	<u>\$ 1,226,906</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$414,600	33%	\$1,226,906
2013	\$396,788	28%	\$ 948,271
2012	\$436,565	23%	\$ 661,759
2011	\$415,329	21%	\$ 327,330

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 3,153,546
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,153,546</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 9,133,477</u>
UAAL as a percentage of covered payroll	<u>35%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation the projected unit credit method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level dollar amount over 30 years on an open amortization period for pay-as-you-go. This has been calculated at a rate of 4.0% pay-as-you-go.

#### **14. Pension Plan**

The County follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

##### **A. Plan Description**

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer contributory defined benefit pension plan. NHRS provides service, disability and death, and vested retirement benefits to plan members and beneficiaries. NHRS is administered by a 13-member Board of Trustees. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301-8507.

##### **B. Funding Policy**

Sheriff's deputies and correctional officers plan members and all other employee plan members are required to contribute 11.55% and 7%, respectively, of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate for sheriff's deputies and correctional officers is 25.30% of annual covered payroll. The current rate for all other employees is 10.77% of annual covered payroll. The contribution requirements of plan members are fixed by statute. The County's contributions to NHRS for the years ended June 30, 2014, 2013, and 2012 were \$1,140,158, \$906,614, and \$904,004, respectively, equal to the required contributions for each year.

The payroll for employees covered by the System for the year ended June 30, 2014 was \$8,297,704. Contribution requirements for the year ended June 30, 2014, were as follows:

County contributions	\$ 1,140,158
Employees' contributions	<u>663,675</u>
Total	<u>\$ 1,803,833</u>

**15. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**16. Implementation of New GASB Standards**

The GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the County's financial statements by recognizing as a liability and expense, the County's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

**SULLIVAN COUNTY, NEW HAMPSHIRE  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**(Unaudited)**

**Other Post-Employment Benefits**

---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$ 2,501,694	\$ 2,501,694	0%	\$ 8,273,545	30%
7/1/2012	\$ -	\$ 3,153,546	\$ 3,153,546	0%	\$ 9,133,477	35%

See Independent Auditors' Report.